

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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E.O. 11652: N/A

TAGS: ETRD, EAGR, EEC

SUBJECT: EC REACTION TO US-USSR GRAIN DEAL

REF: STATE 249392

1. THE MISSION HAS DISTRIBUTED INFORMATION REGARDING THE US-USSR GRAIN DEAL TO COMMUNITY OFFICIALS. WE HAVE RECEIVED LITTLE RESPONSE, AND WHAT WE HAVE, WHICH RANGES OVER THE BALLPARK, REFLECTS THE INTERESTS OF THE SPEAKERS AND THEIR ORGANIZATIONS, RATHER THAN REPRESENTING ANYTHING LIKE A COMMUNITY POSITION.

2. PHAN VAN PHI OF THE EC COMMISSION'S DIRECTORATE GENERAL FOR EXTERNAL RELATIONS, EMPHASIZING HE WAS SPEAKING PERSONALLY--THAT THERE WAS NO OFFICIAL COMMISSION POSITION OR "CONSENSUS"--SAID HE WELCOMED THE US-USSR DEAL BECAUSE:

(A) IT REMINDED OPEC COUNTRIES THAT THERE WERE OTHER SOURCES OF OIL;

(B) IT WOULD INCREASE STABILITY IN THE WORLD GRAIN MARKET (PAST RUSSIAN PURCHASES HAD BEEN A MAIN SOURCE OF INSTABILITY);

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(C) IT PROVIDED A PARALLEL FOR THE EC'S TENTATIVE

DEAL WITH EGYPT, WHICH HE ALSO REGARDED A PROMOTING STABILITY.

3. FRG PERMDELL SOURCES HAVE ALSO NOTED A POSSIBLE PARALLEL BETWEEN THE SOVIET-US GRAINS AGREEMENT AND THE PROPOSED EC-EGYPTIAN LONG-TERM AGRICULTURAL AGREEMENT. THE FRG HAS STRONG RESERVATIONS ABOUT THE LATTER AGREEMENT BECAUSE IT IS LIKELY TO INVOLVE SUBSIDIES. THE FRG ALSO HAS DOUBTS ABOUT THE WISDOM OF LONG-TERM ARRANGEMENTS GENERALLY. WHILE THE US-SOVIET AGREEMENT DOES NOT INCLUDE THE SORT OF PRICE PROVISIONS THAT BOTHERS THE GERMANS, IT HAS BEEN CITED TO THE GERMANS BY COMMISSION AND SOME OTHER MEMBER STATE OFFICIALS AS A PRECEDENT.

4. WE'VE HAD NO REPORTABLE COMMENTS FROM THE DIRECTORATE GENERAL FOR AGRICULTURE SINCE THE DEAL WAS ANNOUNCED. HOWEVER, WHEN ON OCT. 16 CONG. FRENZEL ASKED WIJNMAALEN AND RABOT HOW THE EC WOULD REGARD A LONG-TERM CONTRACT FOR US GRAIN SALES TO THE USSR, WIJNMAALEN ANSWERED THAT THE COMMISSION VIEWED THIS DEVELOPMENT FAVORABLY, AND RABOT NODDED HIS AGREEMENT. HOWEVER, WIJNMAALEN WENT ON TO SAY THAT THE EC (A) DIDN'T WANT THE USSR TO HAVE A PLACE IN THE QUEUE AHEAD OF IT, IN CASE OF GRAIN SHORTAGE; AND (B) DIDN'T WANT A US-USSR CONTRACT TO STAND ALONE--IT SHOULD BE INCORPORATED IN A MULTINATIONAL GRAINS ARRANGEMENT. GREENWALD

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